

Emergency Rule
LSA Document #17-174(E)

DIGEST

Temporarily adds rules regarding paid fantasy sports games. Statutory authority: [IC 4-33-24-13](#). Effective March 24, 2017.

SECTION 1. This document applies to paid fantasy sports games.

SECTION 2. The purpose of this document is to provide basic consumer protections and create a lawful and secure environment for Indiana residents to participate in paid fantasy sports games.

SECTION 3. (a) The definitions in this SECTION apply throughout this document.

(b) The definitions in [IC 4-33-2](#), [IC 4-33-24](#), [IC 4-35-2](#), and [68 IAC 1](#) apply throughout this document.

(c) "Age verification" means a method, system, or device used by a paid fantasy sports operator to verify the validity of a game participant's age.

(d) "Paid fantasy sports game platform" means a website, smart phone application, or other portal providing access to a paid fantasy sports game.

(e) "Dormant account" means a paid fantasy sports game participant account that has had no game participant activity for a period of three (3) years.

(f) "Geolocation" means the identification of the real-world geographic location of a paid fantasy sports game participant.

(g) "Segregated account" means a financial account that segregates funds that are owned by paid fantasy sports game participants in the United States, such that the paid fantasy sports operator's operational funds may not be commingled.

(h) "System administrator" means the information technology department personnel responsible for the administration of the paid fantasy sports games.

(i) "Verification" means a method used by a paid fantasy sports game system or device to verify the validity of software of critical components.

SECTION 4. The executive director or the executive director's designee may approve deviations from the provisions of this document upon written request by the person directly affected by the procedure or requirement if the executive director or the executive director's designee determines that the:

- (1) procedure or requirement is impractical or burdensome; and**
- (2) alternative means of satisfying the procedure or requirement:**
 - (A) fulfill the purpose of the document;**
 - (B) are in the best interests of the public and gaming in Indiana; and**
 - (C) do not violate [IC 4-33-24](#).**

SECTION 5. (a) To obtain a license to conduct paid fantasy sports games, a game operator must submit a written application on the form or forms prescribed by the commission.

(b) The application shall include the following information:

- (1) The name and address of the game operator.**
- (2) The names, addresses, and telephone numbers of the officers of the game operator.**
- (3) The type of allowable paid fantasy sports games the game operator proposes to conduct.**
- (4) Verification that the requirements set forth in [IC 4-33-24](#) have been met.**
- (5) Any other information required by the commission for the purpose of administering this rule [document].**

(c) An applicant is under a continuing duty to disclose any material changes in the information submitted to the commission.

SECTION 6. The commission may deny a license to a game operator if the commission determines any of the following:

- (1) The game operator has violated an Indiana statute, regulation, rule, or local ordinance providing for the best interests of paid fantasy sports.
- (2) The game operator has failed to meet any of the requirements set forth in [IC 4-33-24](#).
- (3) The game operator has made a material misrepresentation or omission in its application to the commission.
- (4) The applicant has failed to meet the commission's high standards of honesty, integrity, and impartiality.

SECTION 7. (a) The license fees described in [IC 4-33-24](#) shall be paid at the time the application for licensure is submitted to the commission and are nonrefundable.

(b) If a game operator withdraws its application for an initial license or a license renewal, in writing, prior to issuance of the license or grant of the renewal the game operator will still be required to pay for the outstanding cost of any investigation.

(c) An application for a game operator license may not be withdrawn without leave of the executive director.

SECTION 8. If the executive director determines that a game participant or a game operator has violated this document or [IC 4-33-24](#), the commission staff may initiate an investigation and disciplinary action under [68 IAC 13](#).

SECTION 9. (a) The game operator applicant must submit for approval under [68 IAC 11](#) internal controls for the following:

- (1) Procedures to handle security incidents, which may include system failures, loss of service, breaches of confidentiality, and malicious intrusion.
- (2) In addition to the normal contingency plans, these internal controls shall include the following:
 - (A) Analysis and cause of the security incident.
 - (B) Containment.
 - (C) Planning and implementation of corrective action to prevent recurrence.
 - (D) Communication with those affected by or involved with recovery from the security incident.
 - (E) Reporting of the action to the executive director or executive director's designee.
- (3) Action to recover from security breaches and correct system failures shall be carefully and formally controlled; the procedures shall ensure the following:
 - (A) Only clearly identified and authorized personnel are allowed access to live systems and data.
 - (B) Emergency actions taken are documented in detail.
 - (C) Emergency action is reported to management and reviewed in an orderly manner.
 - (D) The integrity of business systems and controls is confirmed with minimal delay.
 - (E) Reporting of the action to the executive director or executive director's designee.
- (4) Testing to ensure that the paid fantasy sports game platform meets or exceeds current industry standards.
- (5) Notifying game participants of potential tax liabilities and provide required federal and state tax forms when a game participant has six hundred dollars (\$600) or more in net winnings in a calendar year.
- (6) Identifying and prohibit self-restricted game participants.
- (7) Confirming age verification protocol to prohibit individuals that are less than eighteen (18) years of age from participating in paid fantasy sports games.
- (8) Instituting a process to close out dormant accounts.
- (9) Verifying geolocation system to establish game participant geographic location.
- (10) Segregating game participant account funds from game operator's operational funds.
- (11) Maintaining the security of the identifying and financial information of paid fantasy sports game participants.
- (12) Preventing game operator employees, or a licensee with whom the game operator has entered into a contract, and any relative of an *[sic, a]* game operator employee living in the household of the game operator employee, from competing in a paid fantasy sports game where the cash prize exceeds five dollars (\$5).

- (13) Preventing an owner, director, or officer of the game operator, or a licensee with whom the game operator has entered into a contract, from being a game participant in a paid fantasy sports game offered by the game operator.
- (14) Preventing game operator employees, or a licensee with whom the game operator has entered into a contract, from sharing confidential information that could affect paid fantasy sports game play with third parties until the information is made publicly available.
- (15) Preventing an individual who is a player, game official, or other participant in an actual sporting event or competition from participating in a paid fantasy sports game that is determined in whole or in part on the performance of that individual, the individual's actual team, or the accumulated statistical results of the sporting event or competition in which the individual is a player, game official, or other participant.
- (16) Disclosing the number of paid fantasy sports games a single game participant may enter, and prevent game participants from entering into more than the maximum number of allowed paid fantasy sports games.
- (17) Disclosing the number of paid fantasy sports games a single game participant may enter.
- (18) Maintaining a reserve in the form of cash, cash equivalents, an irrevocable letter of credit, a bond or a combination of these sources that is equal to the amount of money deposited in paid fantasy sports game accounts of game participants.
- (19) Detecting and preventing the misuse of proxy servers.
- (20) Preventing the use of unauthorized scripts.
- (21) Withholding winnings from delinquent child support obligors in accordance with [IC 4-33-24](#).
- (22) Preventing the advertisement of paid fantasy sports contests in any publication or medium that is aimed exclusively at juveniles, or advertising a paid fantasy sports contest and running promotional activities concerning a paid fantasy sports contest at any of the following:
 - (A) elementary schools, as defined by [IC 20-18-2-4](#);
 - (B) high schools, as defined by [IC 20-18-2-7](#); or
 - (C) sports venues used exclusively for:
 - (i) elementary school, as defined by [IC 20-18-2-4](#); or
 - (ii) high school, as defined by [IC 20-18-2-7](#);student sports activities.

(b) The applicant shall stamp or otherwise mark each page of the internal control procedures submitted to the commission with the word "CONFIDENTIAL" if the material submitted is not subject to disclosure under [IC 4-33](#) or [IC 5-14](#).

SECTION 10. (a) For paid fantasy sports games played, the following information shall be recorded, maintained, and easily demonstrable by the game operator:

- (1) A unique game participant identification.
- (2) The prize structure used.
- (3) The paid fantasy sports game identifier and version.
- (4) The date and time the paid fantasy sports game started and when prizes are paid out.
- (5) The final outcome of the contest.
- (6) A game participant transaction log of cash and credits.
- (7) The total amount of entry fees entered for the paid fantasy sports game.
- (8) The total cash or credits won for the prize.
- (9) The results of paid fantasy sports game participant choices involved in the game outcome.
- (10) The amount of promotional awards received.

(b) Game operators shall keep daily records of the information in subsection (a) and shall maintain such records for at least five (5) years.

SECTION 11. The paid fantasy sports game operator must maintain and back up a log of game participant account activity.

SECTION 12. (a) On or before July 1, 2017, any and all unlicensed game operators offering paid fantasy sports games to Indiana residents under [IC 4-33-24-13](#)(b) must submit an application for licensure to the division pursuant to [IC 4-33-24](#) and this rule *[document]*.

(b) The division may issue a notice of licensure denial pursuant to SECTION 8 of this rule *[document]* to any unlicensed game operator contemplated in subsection (a) that fails to submit its application for licensure by July 1, 2017.

(c) Beginning on July 2, 2017, a game operator may no longer avail itself to the provision contained at [IC 4-33-24-13\(b\)](#).

(d) Any game operator that offered paid fantasy sports games to Indiana residents on or before March 31, 2016, and failed to submit an application by July 1, 2017, may later submit an application pursuant to the provisions of [IC 4-33-24](#) and this rule *[document]* in order to become licensed to offer paid fantasy sports games to Indiana residents.

(e) Any game operator that was not offering paid fantasy sports games to Indiana residents on or before March 31, 2016, must submit an application to the division and receive a license pursuant to the provisions of [IC 4-33-24](#) and this rule *[document]* prior to offering paid fantasy sports games to Indiana residents.

SECTION 13. (a) Except as provided in subsection (b), the following individuals may not participate in paid fantasy sports games:

- (1) a member of the commission;
- (2) an employee of the commission;
- (3) an agent of the commission; or
- (4) the spouse of any individual in subdivisions (1), (2), and (3).

(b) A member, employee, or agent may participate in a paid fantasy sports game offered by a game operator if that person:

- (1) has received the written authorization from the executive director to participate in a paid fantasy sports game as part of the person's employment; and
- (2) is participating only to the extent authorized by the executive director.

SECTION 14. This document shall take effect upon filing.

LSA Document #17-174(E)

Filed with Publisher: March 24, 2017, 10:15 a.m.

Posted: 03/29/2017 by Legislative Services Agency

An [html](#) version of this document.